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## Poland

### Agricultural Situation

### Bio-fuel Legislative Update

**2006**

**Approved by:**

Ed Porter  
US Embassy

**Prepared by:**

Kate Snipes and Wlodek Makowski

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**Report Highlights:**

In August 2006, Poland passed its general law on bio-fuel as well as a related law that identifies the specific government agencies to oversee bio-fuel production and use. The laws have been signed by the President and will become effective on January 1, 2007. Poland developed these laws in response to EU directives aimed at encouraging bio-fuel use in member states. Experts believe that Poland will be able to meet the EU goal of 5.75 percent bio-fuel in all fuel used for transportation by 2010.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Warsaw [PL1]  
[PL]

In August 2006, Poland passed its general law on bio-fuel as well as a related law that identifies the specific government agencies to oversee bio-fuel production and use. The laws have been signed by the President and will become effective on January 1, 2007. Poland developed these laws in response to EU directives aimed at encouraging bio-fuel use in member states.

Bio-fuel is defined in the legislation as any fuel with a bio-component of over 5 percent. Fuels with a bio-component of 5 percent or less will no longer be considered bio-fuel. (Under its previous legislation, Poland permitted a maximum of 5 percent bio-additives in fuel.) The major bio-components identified in the legislation include esters, ethanol and methanol.

Based on bio-diesel regulations issued in September 2006 by the Ministry of Economy, up to 20 percent methyl ester can be added to diesel fuel. There are also 100 percent bio-diesel blends authorized for use in specific machinery and vehicles. Regulations on bio-additives for non-diesel fuels have not been published, but will be developed in the near future based on the new law.

The related law designating regulatory responsibility states that the Ministry of Economy has oversight of the industrial production of bio-fuel, the Ministry of Agriculture has oversight of on-farm production, and the Ministry of Finance is responsible for developing all tax regulations related to bio-fuel production and use.

Farmers will be permitted to produce up to 100 liters per hectare of bio-fuels for use on their farms. As small machines are available to produce methyl ester for bio-diesel, Polish farm groups expect that farmers will take advantage of this provision. Large farms may invest in a machine and small farmers may share the use of one machine collectively. Since farmers have not had any experience with on-farm bio-diesel processing, it is difficult to speculate how much will be produced.

A major change in the law from the draft legislation reported earlier (GAIN Report PL6051) is an addition of a provision requiring five year or longer contract terms with fixed raw input prices for 75 percent of all bio-fuel produced in Poland. The Polish farm lobby pushed for this provision, hoping it will stabilize farm incomes by creating steady prices and consistent demand for grains used to make bio-fuels. The bio-fuel industry in Poland, however, believes that this provision will be difficult to meet and will slow the development and production of bio-fuels.

The goal for member states set forth by the EU is that 5.75 percent of all fuel used for transportation will be bio-fuel by 2010. For Poland, this percentage means that an estimated 650,000 tons of bio-diesel and 370,000 tons of bio-ethanol will be used annually, based on Poland's projected fuel consumption (by type) for 2010. The EU target is not mandatory, but member states must send an annual report on bio-fuel to the Commission that details its use and defines future goals. Currently, Poland exports both ethanol and methyl esters. Germany is the largest purchaser of bio-fuel from Poland in volume and value, importing primarily methyl esters. Exports of bio-fuel from Poland to all countries may decrease in the near future in order for Poland to have sufficient domestic supply to meet the EU objective.

New excise tax legislation for bio-fuels is under development. The current tax breaks are based on the old 5 percent maximum bio-component use in fuel and are not feasible under the new law. The new tax legislation and accompanying regulations have not been drafted, though most agree they will be in place by early next year.

Post Comment: For 2006 we estimate that Poland is using about one percent bio-fuel in transport fuel. Experts believe that Poland will be able to meet the EU goal of 5.75 percent bio-fuel in all fuel used for transportation by 2010.